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SUBJECT: SALEH EXPRESSES SUPPORT FOR NEW REFORM PROGRAM

Classified By: Ambassador Stephen Seche for reasons 1.4 (b) and (d).

¶1. (U) SUMMARY: In an August 9 meeting with a small group of reform-minded economic advisors and Western ambassadors, President Ali Abdullah Saleh expressed support for a new program of economic reform. Saleh agreed to create an executive board to implement this agenda. The program, "Yemen's Top 10 Priorities," attempts to identify the main economic challenges and prioritize the solutions to them. As many of the reforms are politically sensitive, the program will need continued support from the president to be successful. END SUMMARY.

¶2. (U) In an August 9 meeting with a small group of reform-minded economic advisors and Western ambassadors, including Ambassador Seche, President Ali Abdullah Saleh threw his support behind a new program of economic reform. In discussion with the group, Saleh agreed to reorient the nation's priorities in order to address economic, political, and social challenges through a new implementation mechanism. Western Ambassadors present emphasized that sustained presidential commitment to reform was essential to Yemen's economic development. Presidential involvement in the reform process is stipulated as one of the top ten priorities.

¶3. (U) Saleh agreed to the creation of a new mechanism to implement these reforms, an executive board under the Prime Minister. Hisham Sharaf, Deputy Minister of Planning and International Cooperation, and Jalal Yacoub, Deputy Minister of Finance, will serve on the board, along with Salah al-Attar, Chairman of the General Investment Authority (GIA).

¶4. (U) The program, "Yemen's Top 10 Priorities," attempts to prioritize the economic challenges to the state, create success stories, and reflect the priorities in the annual budget. The proposal identifies Yemen's economic priorities as follows: 1) The ROYG should institute a comprehensive program to attract talent into the Civil Service, known as the "Top 100." 2) The ROYG should find urgent political solutions to allow Yemeni labor into the GCC. 3) The ROYG should implement the first phase of lifting fuel subsidies without raising prices. 4) The ROYG should introduce a fast track initiative for oil exploration. 5) The ROYG should find urgent solutions to land problems. 6) The ROYG should re-involve the presidential apparatus in the reform process. 7) The ROYG should develop a positive action plan for the port city of Aden. 8) The ROYG should enforce government authority and rule of law. 9) The ROYG should develop urgent solutions to the water issues. 10) The ROYG should make efforts to improve Yemen's image abroad.

15. (C) COMMENT. While the momentum at the meeting was promising, it remains to be seen if Saleh,s verbal expression of support for this ambitious reform agenda turns out to be any more than just that. Several elements of the ten-point plan are going to require a substantial level of political risk on his part. The group of reform-minded Yemeni government officials who are driving this agenda are counting on Brigadier General Ahmed Ali Abdullah Saleh, the president,s son and heir apparent, to ensure the continued commitment to the plan of senior ROYG leadership, including that of his father. Ahmed Ali, in fact, has been working closely with this informal group of like-minded individuals for some time to develop a plan that would encourage foreign investment in Yemen; it appears that the 10-point reform plan has emerged from those deliberations. Given that many of the economic reforms are so politically sensitive, it would be surprising if they came to fruition without considerable internal negotiation. That said, even if only a few are implemented, they have the potential to move Yemen forward in critically important sectors. END COMMENT.
SECHE